

110%, then divided by 4 to obtain a quarterly estimated payment amount.

The second method allows the entity to calculate estimated tax based on the current year income. Estimated current year income is multiplied by the same 34% or 39.6% statutory tax rate and divided into four quarterly estimated payments.

The third method uses similar calculations to calculate its payments based upon annualized current year quarterly income, similar to the rules presently applicable to individuals or C corporations.

The payments of tax are due on the 15th day of the 3rd, 5th, 8th, and 12th months of the taxable year of the entity.

In addition, the entity makes a one-time payment with its fiscal year election that applies to the short period created (if any) by moving from a calendar year to a fiscal year. This payment is at the same statutory rate and is based on short period income.

The election terminates if the owners of more than half the entity's equity consent to such revocation, or when the entity itself terminates. ("Inadvertent terminations" of an S corporation however, will not terminate the election.) Subsequent re-elections may not be made by that same entity for 5 tax years unless the entity obtains consent from the Internal Revenue Service. Rules will also be provided under regulations for successor entities.

A penalty for underpayment will be due from the entity if it does not make the required level of estimated tax payments. The penalty is based on the amount of underpayment and continues until appropriate payment is made or until the April 15th that the owners report their share of entity income. At that point, the owners become liable for the tax and any existing underpayment penalties that may be imposed. An exception to the entity level penalty is provided which parallels the analogous exception for individual taxpayers (casualty, unusual circumstances, etc.)

EFFECT ON OWNER

The quarterly estimated payments made by the entity are "passed through" to the owners of the entity as a credit on their individual tax returns. Since the entity is making these payments on behalf of the owners, they may reduce their quarterly estimated payments for their shares of the entity level payment. When they receive an annual information report from the entity (Schedule K-1), it will list their share of fiscal year income as well as their annual share of the credit. The amount of the credit allocated to each owner is based upon his or her share of the entity income (no special allocations of the credit are allowed). The credit is reported on an owner's individual income tax return as if it were estimated taxes paid by the owner.

In making their own quarterly estimated payments, the owners may rely on amounts reported by the entity as paid, even if errors occur or payments are not made, so that penalties accrue only at the entity level. If payments are overpaid or underpaid compared with those reported to the owners, such amounts are treated as any other tax due or overpaid under Subtitle A of the Internal Revenue Code.

TIERED STRUCTURES

No election may be made by an entity that is part of a tiered structure under this proposal. Additionally, if an entity becomes part of a tiered structure the election is terminated. The tiered structure rules do not apply, however, if all of the owners are partnerships and S corporations that elect the same fiscal year.

ALTERNATIVE TAX YEARS

Nothing in this provision will affect an entity's right to a fiscal year that exists under current law; for example, under the natural business year tests. The provision also allows for retention of fiscal years by any entities that currently use a fiscal year under Rev. Proc. 87-32.

OLD SECTION 444

The new provision would preclude any new elections under the old section 444. However, existing 444 elections would be allowed to continue if the entity so desired. Alternatively, an entity with an existing section 444 election, may elect instead under this new provision thereby entitling it to a refund of its current 444 required payments, or a credit of such required payments toward its new estimated tax payment requirements.

DE MINIMIS AND REASONABLE CAUSE EXCEPTION

The provision provides for an exception to payment of any entity level tax if such tax would be below \$5,000. The provision also provides for the relief of section 7519 penalties if reasonable cause can be shown.

THE RIGHT ROAD

HON. RON PACKARD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, May 17, 1995

Mr. PACKARD. Mr. Speaker, today we begin an historic journey. For the first time in a generation, we will lay out a road map toward a balanced budget. Americans understand this is a trip we all must take. If we fail in this mission, frankly, this country is through. I mean we are headed the way of Mexico into economic collapse.

The Nation is currently \$5 trillion in debt spiraling toward a debt of \$8 trillion by 2010. We spend almost half of our budget on interest alone—half. Soon we will spend more on the interest on the debt than anything else—including entitlements and defense combined. The American dream is starting to evolve into the American nightmare.

For a nation that prides itself on leaving a better country for our children, we are instead leaving a legacy of fiscal and moral bankruptcy. Some of you may know that I have a relatively large family—seven children and, as of a couple of weeks ago, 31 grandchildren.

Since I began my service in Congress, I have always measured everything I do by one standard—what legacy am I leaving to them and to our Nation's children and grandchildren?

Washington's lack of discipline is crushing our opportunity and leaving our children with a devastating debt. We cannot continue down this destructive path.

In fact, my new grandchild, born just a couple of weeks ago, will pay nearly \$200,000 over her lifetime. I cannot leave this legacy to her, and I am sure most Americans do not want to leave this legacy to their children and grandchildren. People outside Washington know this and have asked us to lead them down a new road—toward a balanced budget. I say, let's get going.

GREAT LAKES INITIATIVE STATEMENT

HON. DAVID E. BONIOR

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, May 17, 1995

Mr. BONIOR. Mr. Speaker, I rise today to express my strong concern over any attempts to further weaken the Great Lakes Initiative. I understand there are those who would still like to make States' participation voluntary. That would completely undermine one of the key initiatives that has been taken to improve water quality in the Great Lakes region. I would strongly oppose those efforts.

The Transportation and Infrastructure Committee worked out a compromise on this issue. Like every compromise, it doesn't make everybody happy. I believe it is still too ambiguous. It's an open invitation to lawsuits. And will ultimately weaken the GLI. But it is a true compromise.

Further efforts to weaken the GLI would go too far. It would turn the clock back. For those of us who live in the region, the Great Lakes have a profound effect on who we are as a people and how we live our lives.

The Great Lakes provide our drinking water, they provide our largest recreational resource, they are tremendously important to our economy, and they shape our quality of life. They are our Yellowstone, our Grand Canyon, our Everglades. The Great Lakes ought to be protected like the national treasure they are. Unfortunately, a handful of polluter interests seem to have a burning desire to weaken the landmark Great Lakes Initiative, which will provide uniform water quality standards for all of the Great Lakes States. For that reason alone, I would oppose the current clean water bill.

Beyond the GLI, however, events in Lake St. Clair taught many of us in Michigan how important our environment is for our quality of life and for our economy. In Michigan, clean water is jobs. Without clean water, we lose thousands of jobs in our State.

Sport fishing in that lake alone is estimated at \$140 million annually. Nonfishing boaters and beachgoers spend more than \$1 billion each year on boats, accessories, marina slips, gas, restaurants and other items. Last year's ban on swimming cost the most popular beach in the Detroit area \$500,000. This wasn't just a quality of life problem—our economic benefits of the lake were destroyed last year.

During most of the summer, profits at local marinas were down. Many local businesses were devastated. In just 2 months time, losses to local businesses ran into the millions of dollars. Our biggest concern is that it could happen again. In fact, with this type of legislation here before us today, it could happen anywhere and everywhere.

In this bill, written by lobbyists for some of this country's most notorious polluters, we say to Americans—we don't care about the water you drink, we don't care about the pollution of your beaches, and we don't care about one of the most important recreational and economic resources you have.

That's not common sense. We must protect our water—not polluter interests. We should be strengthening our standards—not weakening them. We should be debating ways to emulate model regulatory programs like the GLI—not gutting them.